

TOWN OF BETHANY BEACH, DELAWARE

FINANCIAL REPORT

MARCH 31, 2021

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## INDEPENDENT AUDITORS' REPORT

Town of Bethany Beach, Delaware  
Bethany Beach, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of March 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The additional supplementary information (ASI), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The ASI, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ASI, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "JHM Group LLC".

Salisbury, Maryland  
July 23, 2021

**Town of Bethany Beach  
Management's Discussion and Analysis  
March 31, 2021**

As management of the Town of Bethany Beach, Delaware (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ending March 31, 2021. We encourage readers to consider this information in conjunction with the additional information that we have furnished in the Town's financial statements that follow this section.

**Financial Highlights for Fiscal Year 2021**

The assets and deferred outflows of resources of the Town of Bethany Beach exceed its liabilities and deferred inflows of resources at the end of fiscal year 2021 by \$30,849,130 (net position). Of this amount, \$8,577,300 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$21,912,229 of the remaining net position is invested in capital assets, net of related debt and \$359,601 is restricted for specific uses. The Town's total net position decreased by \$1,620,410 (5.0%) during fiscal year 2021. The net position of governmental activities decreased by \$1,890,640 (8.2%) while the net position of business-type activities increased by \$270,230 (2.8%).

As of the close of fiscal year 2021, the Town's governmental funds reported an ending fund balance of \$8,126,089. Of this amount, \$163,977 is nonspendable prepaid balances. Committed funds are \$313,492 in post-employment benefits funds, \$45,702 in Cultural & Historic funds, \$1,739,000 for capital purchases in fiscal year 2022, \$3,129,000 for future capital projects and \$2,300,000 in the Storm Emergency Relief Fund.

This leaves \$434,918 as unassigned in the governmental funds at the end of fiscal year 2021.

The Town's bonds and notes payable decreased by \$230,425 (15.6%) because of payments on current debt. Of the Town's total debt of \$1,034,296, \$606,059 (58.6%) is due within the next five years.

Overall, the Town is in good financial condition and has the policies and focus to stay in sound fiscal shape.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner like private-sector businesses. The statements provide both short-term and long-term information, which assists in assessing the Town's financial position.

The statement of net position presents information on all the Town's assets and liabilities with the difference reported as net position. Increases or decreases in net position over time may serve as an indicator of whether the Town's financial position is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during this fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both above financial statements have separate sections for two different types of programs or activities. These two types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes, fees, parking revenue and grants from Federal, State, and other sources. Most services normally associated with municipal government fall into this category, including general government, public safety, street maintenance, economic development, and recreational activities.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the Town are the water and sanitation departments, which operate with minimal assistance from the governmental activities of the Town.

The government-wide financial statements can be found on pages 21-22 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

These statements provide a detailed short-term view of the Town's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Town. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town has four governmental funds: the General Fund, the Capital Projects Fund, the Special Revenue Fund, and the Ambulance Fund. The Special Revenue Fund is used to account for State and Federal grants. Fees collected for ambulance services are used only to pay the charges of the Bethany Beach Volunteer Fire Company.

The basic governmental fund financial statements can be found on pages 23-26 of this report.

**Proprietary funds** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers they are also known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The Town has two proprietary funds, the water and sanitation departments.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Specifically, Note 2 summarizes the Town's significant accounting policies and provides definitions for many of the terms used throughout this report.

The notes to the financial statements can be found on pages 30-55 of this report.

## Government-Wide Financial Analysis

As noted earlier, the Town's net position may serve, over time, as a useful indicator of the government's financial situation. The Town's combined net position (governmental and business-type activities) totaled \$30,849,130 at the end of fiscal year 2021, compared to \$32,469,540 at the end of fiscal year 2020, a decrease of \$1,620,410 (5.0%).

The largest portion of the Town's net position, \$21,912,229 (71.0%), reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

On March 31, 2021, the Town held \$2,093,360 in unrestricted cash and cash equivalents and \$9,800,000 in investments. Investments during the year were entirely certificates of deposit in accordance with the Town's Investment Policy.

The Town follows a written Investment Policy, which is reviewed annually. The primary objective of Town investments in priority order are safety, liquidity and then return on investment. The Town seeks investments that are diverse by type, institution, and maturity date. All investments must be FDIC insured or collateralized. Authorized investments include United States government securities, certificates of deposit, money market accounts in commercial banks and commercial bank savings accounts. Currently, all certificates of deposit held by the Town are for amounts under the FDIC limit of \$250,000 per institution to provide greater security of funds while improving interest earnings. Further information on cash and investments can be found on page 38, Note 4.

The Town's Fund Balance Policy establishes recommendations for minimum and maximum levels of reserves held for operating and capital needs. This policy is intended to increase the long-term financial stability of the Town while decreasing the need for long-term borrowing.

The Fund Balance Policy recommends maintaining an Operating Reserve of 15% to 30% of budgeted operating costs. In the budget for the current fiscal year 2022, operating reserves are \$1,061,000 in the general fund, \$144,000 in the sanitation fund and \$196,000 in the water fund. Total town-wide operating reserves are \$1,401,000, which is 15.0% of the fiscal year 2022 operating budget.

The policy's recommendations for funds committed for capital replacement are based on the cost and useful lives of assets currently in use by the Town. For fiscal year 2022, capital replacement reserves are \$3,129,000 in the general fund, \$672,000 in the sanitation fund and \$2,362,000 in the water fund. An additional \$350,000 is held in reserve in the water fund for replacement of filter media in the water plant, which is expected to be needed within the next five years. Total town-wide capital reserves are \$6,513,000, which is 29.7% of the Town's net investment in capital assets.

In March of 2017, the Town Council made a revision to the Fund Balance Policy to add a section on the Storm Emergency Relief Fund (SERF), which was created to accumulate funds to aid the Town in recovering from a hurricane, nor'easter, or other storm event. The use of these reserve funds is restricted to debris cleanup, repair of infrastructure such as the boardwalk, replacement of equipment, and operating expenses that are needed because of revenue lost in the aftermath of a storm. Accessing the SERF reserve requires approval from a Supermajority, defined as at least five of seven Town Council members. At the end of fiscal year 2021 the SERF fund held \$2,031,000 and it is expected to hold \$2,300,000 by the end of fiscal year 2022.

In August 2020, the Town Council approved two new benefit plans for long-term, full-time employees. The benefit plans are for post-employment healthcare costs; one for police officers and one for general employees.

For the Police plan, officers must have 25 years of service as a Police Officer with the Town of Bethany Beach and be collecting a pension through the State of Delaware, County and Municipal Police and Firefighter Plan. When these conditions are met the Town will reimburse the retiree for 20% of the healthcare premiums of the retiree, limited to 20% of the highest available State of Delaware health insurance policy. There is no coverage for spouse or children and this benefit ends when the retiree becomes eligible for Medicare or Medicaid. This 20% in town



coverage is in addition to the State of Delaware's current 80% Health Care Offset for retired police officers. One current employee has met the service requirements and a second will in late 2022.

For the General plan, non-police employees must have 25 years of service with the Town of Bethany Beach, have reached age 55 and be collecting a pension through the State of Delaware, County and Municipal Other Employees Plan. When these conditions are met the Town will reimburse the retiree for between 75% and 100% of the healthcare premiums of the retiree, limited to the highest available State of Delaware health insurance policy. There is no coverage for spouse or children and this benefit ends when the retiree becomes eligible for Medicare or Medicaid. One current employee has met the service requirement and one retiree is collecting this benefit. It will be at least six years before another employee reaches the service requirement to earn this benefit. The percentage that the town will reimburse is based on years of service to the town.

Years of Service	Age Required	Town Share
25	55	75%
26	55	80%
27	55	85%
28	55	90%
29	55	95%
30	55	100%

These new plans are in addition to the post-employment healthcare cost agreement from 1991, which covers 100% of retiree and spouse healthcare costs until the death of the former employee. This plan has one remaining eligible person who is still a full-time employee.

As of March 31, 2021, \$313,492 was held in a separate bank account to fund this benefit. Further information on this obligation can be found on pages 42-47, Note 8.

The following table is a summary of the government-wide statement of net position compared to the prior year:

Town of Bethany Beach  
Summary of Statement of Net Position  
March 31, 2021

	Governmental Activities		Business-Type Activities		Total		% Change
	2020	2021	2020	2021	2020	2021	
Current Assets	\$7,880,356	<b>\$8,427,040</b>	\$3,901,761	<b>\$4,489,973</b>	\$11,782,117	<b>\$12,917,013</b>	9.6%
Capital Assets	16,448,470	<b>16,374,516</b>	6,888,776	<b>6,572,009</b>	23,337,246	<b>22,946,525</b>	-1.7%
Other Assets	112,908	<b>264,368</b>	136,817	<b>95,233</b>	249,725	<b>359,601</b>	44.0%
Total Assets	<u>24,441,734</u>	<u><b>25,065,924</b></u>	<u>10,927,354</u>	<u><b>11,157,215</b></u>	<u>35,369,088</u>	<u><b>36,223,139</b></u>	2.4%
Deferred Outflows	524,845	<b>839,337</b>	-	-	524,845	<b>839,337</b>	59.9%
Current Liabilities	944,209	<b>565,319</b>	193,421	<b>373,911</b>	1,137,630	<b>939,230</b>	-17.4%
Noncurrent Liabilities	897,619	<b>3,971,513</b>	1,237,751	<b>1,016,892</b>	2,135,370	<b>4,988,405</b>	133.6%
Total Liabilities	<u>1,841,828</u>	<u><b>4,536,832</b></u>	<u>1,431,172</u>	<u><b>1,390,803</b></u>	<u>3,273,000</u>	<u><b>5,927,635</b></u>	81.1%
Deferred Inflows	151,393	<b>285,711</b>	-	-	151,393	<b>285,711</b>	88.7%
Invested in capital assets, net of related debt	16,448,470	<b>16,374,516</b>	5,624,055	<b>5,537,713</b>	22,072,525	<b>21,912,229</b>	-0.7%
Restricted	112,908	<b>264,368</b>	136,817	<b>95,233</b>	249,725	<b>359,601</b>	44.0%
Unrestricted	<u>6,411,980</u>	<u><b>4,443,834</b></u>	<u>3,735,310</u>	<u><b>4,133,466</b></u>	<u>10,147,290</u>	<u><b>8,577,300</b></u>	-15.5%
Total Net Position	<u>\$22,973,358</u>	<u><b>\$21,082,718</b></u>	<u>\$9,496,182</u>	<u><b>\$9,766,412</b></u>	<u>\$32,469,540</u>	<u><b>\$30,849,130</b></u>	-5.0%

Funds in the Town's unrestricted net position of \$8,577,300 may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position decreased \$1,569,990 (15.5%) during fiscal year 2021: decreasing \$1,968,146 (30.7%) in Governmental Activities and increasing \$398,156 (10.7%) in Business-Type Activities. During this time net investment in capital assets decreased \$160,296 (0.7%): decreasing \$73,954 (0.4%) in Governmental Activities and decreasing \$86,342 (1.5%) in Business-Type Activities as more assets were taken out of service than purchased this year.

Current assets increased \$1,134,896 (9.6%). Current assets for Governmental Activities increased \$546,684 (6.9%), while current assets of Business-Type Activities increased \$588,212 (15.1%). The majority of the \$12,917,013 in total current assets is cash, cash equivalents and investments, most of which are held in reserves for future needs.

Receivables, which make up \$820,989 of the current assets, increased \$140,266 (20.6%). Most of the receivables are \$570,115 in water bills mailed in April 2021 for the previous six months of water use. The second largest receivable is \$182,752 in transfer tax revenue collected in March and received by the town in April.

Noncurrent liabilities increased \$2,853,035 (133.6%): increasing \$3,073,894 (342.4%) in Governmental Activities and decreasing \$220,859 (17.8%) in Business-Type Activities. Almost all the increase, \$3,044,340 is from changes of benefit terms for the town's two new post-employment healthcare plans. The liability was calculated in accordance with GASB 75, which governs this complex calculation. Approximately 73% of the post-employment liability is due to the Implicit Rate Subsidy, which adjusts for health premium costs being higher during retirement than during working years.

The following table is a summary of the government-wide statement of activities compared to the prior year:

Town of Bethany Beach  
Summary of Statement of Activities  
March 31, 2021

	Governmental Activities		Business-Type Activities		Total		% Change
	2020	2021	2020	2021	2020	2021	
<b>Revenues:</b>							
Program Revenues							
Charges for services	\$3,530,021	<b>\$2,912,261</b>	\$2,404,781	<b>\$2,431,286</b>	\$5,934,802	<b>\$5,343,547</b>	-10.0%
Assessments & impact fees	-	-	374,037	<b>355,002</b>	374,037	<b>355,002</b>	-5.1%
Operating grants	127,829	<b>299,934</b>	-	-	127,829	<b>299,934</b>	134.6%
Capital grants	154,842	<b>30,000</b>	-	-	154,842	<b>30,000</b>	-80.6%
General Revenues							
Property taxes	1,982,984	<b>1,991,934</b>	-	-	1,982,984	<b>1,991,934</b>	0.5%
Rental real estate taxes	1,702,048	<b>1,551,645</b>	-	-	1,702,048	<b>1,551,645</b>	-8.8%
Transfer taxes	1,280,103	<b>1,631,416</b>	-	-	1,280,103	<b>1,631,416</b>	27.4%
Other	232,219	<b>69,230</b>	87,314	<b>34,458</b>	319,533	<b>103,688</b>	-67.6%
<b>Total Revenues</b>	<b>9,010,046</b>	<b>8,486,420</b>	<b>2,866,132</b>	<b>2,820,746</b>	<b>11,876,178</b>	<b>11,307,166</b>	-4.8%
<b>Expenses:</b>							
General and administration	1,144,014	<b>3,995,190</b>	-	-	1,144,014	<b>3,995,190</b>	249.2%
Licenses and inspections	300,188	<b>259,297</b>	-	-	300,188	<b>259,297</b>	-13.6%
Public Safety							
Police and Alderman	1,998,835	<b>2,271,023</b>	-	-	1,998,835	<b>2,271,023</b>	13.6%
Parking	584,523	<b>599,021</b>	-	-	584,523	<b>599,021</b>	2.5%
Beach Patrol	631,592	<b>658,382</b>	-	-	631,592	<b>658,382</b>	4.2%
Ambulance	149,195	<b>149,195</b>	-	-	149,195	<b>149,195</b>	0.0%
Public Works							
Stormwater management	227,572	<b>197,882</b>	-	-	227,572	<b>197,882</b>	-13.0%
Streets & Parks	1,696,548	<b>1,725,984</b>	-	-	1,696,548	<b>1,725,984</b>	1.7%
Beach and boardwalk	468,034	<b>363,872</b>	-	-	468,034	<b>363,872</b>	-22.3%
Recreation - entertainment	303,625	<b>147,957</b>	-	-	303,625	<b>147,957</b>	-51.3%
Cultural/Historic & Parade	31,059	<b>9,257</b>	-	-	31,059	<b>9,257</b>	-70.2%
Sanitation Fund	-	-	967,374	<b>1,014,185</b>	967,374	<b>1,014,185</b>	4.8%
Water Fund	-	-	1,636,234	<b>1,536,331</b>	1,636,234	<b>1,536,331</b>	-6.1%
<b>Total Expenses</b>	<b>7,535,185</b>	<b>10,377,060</b>	<b>2,603,608</b>	<b>2,550,516</b>	<b>10,138,793</b>	<b>12,927,576</b>	27.5%
Change in net position	1,474,861	<b>(1,890,640)</b>	262,524	<b>270,230</b>	1,737,385	<b>(1,620,410)</b>	-193.3%
Net position, beginning of year	21,498,497	<b>22,973,358</b>	9,233,658	<b>9,496,182</b>	30,732,155	<b>32,469,540</b>	5.7%
Net position, end of year	<b>\$22,973,358</b>	<b>\$21,082,718</b>	<b>\$9,496,182</b>	<b>\$9,766,412</b>	<b>\$32,469,540</b>	<b>\$30,849,130</b>	-5.0%

The Town's total net position decreased \$1,620,410 (5.0%). Approximately 45.8% of the Town's total revenue came from three types of taxes: property, rental, and transfer. Total revenues decreased \$569,012 (4.8%) and total expenses increased \$2,788,783 (27.5%).

The revenue decrease in Governmental Activities was \$523,626 (5.8%) as a direct result of the COVID-19 pandemic and efforts by the town and the State of Delaware to protect public health by discouraging crowds. Parking revenues were \$384,631 (17.3%) less than the prior year while rental taxes were \$150,403 (8.8%) less than the prior year. Licensing and permitting fees were \$204,499 (18.6%) lower than the prior year from delayed construction projects, the town's decision not to operate our own trolleys or allow out of town shuttles to operate in town and a reduction in business and rental licenses issued. Interest earnings decreased \$116,642 (65.9%) from the sharp drop in the interest rates paid on certificates of deposit.

The revenue decrease in Business-Type Activities was \$45,386 (1.6%) from lower interest rates.

Expenses of Governmental Activities increased \$2,841,875 (37.7%), entirely due to the new post-employment health insurance plans. Expenses of Business-Type Activities decreased \$53,092 (2.0%).

## Governmental Activities

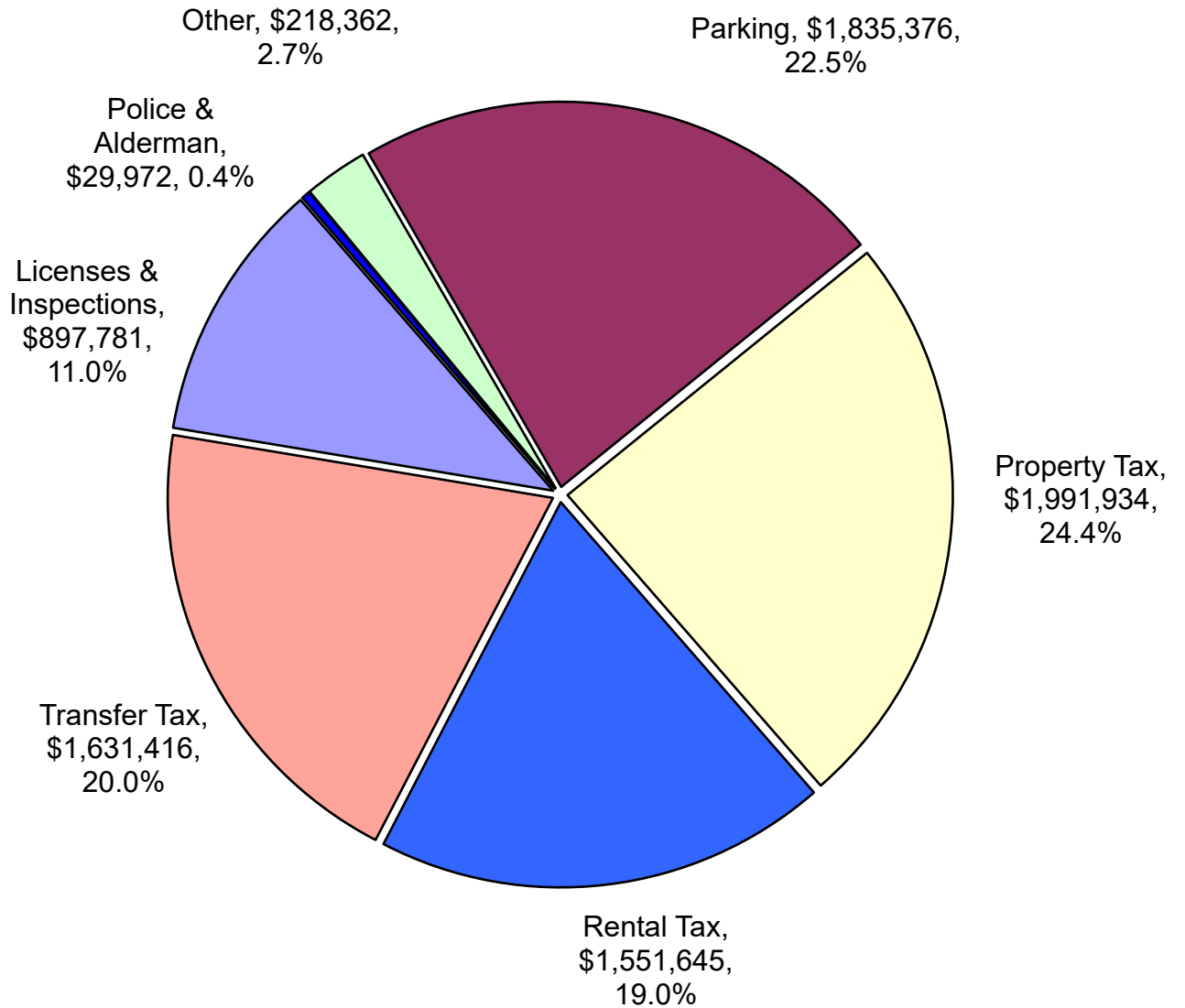
Total revenue for governmental activities less operating and capital grants decreased \$570,889 (6.5%) to \$8,156,486. The major revenue sources and key factors are as follows. Grant revenue is not included due to the variable nature of State and Federal grants.

1. Property Tax revenue totaled \$1,991,934 and was the Town's largest source of funding. The assessed value of taxable properties as of May 2020 was \$1,040,799,159 which is \$5,944,600 (0.6%) more than the prior year. The tax rate was \$0.19 per \$100 of assessed value and the most recent town-wide reassessment was completed in 2001. Total property tax revenue increased \$8,950 (0.5%). As a percentage of total governmental revenue less operating and capital grants, property tax increased from 22.7% in fiscal year 2020 to 24.4% in fiscal year 2021. Revenue collected was \$13,066 less than budgeted as the COVID-19 pandemic delayed construction projects that would have resulted in higher assessed values.
2. Revenues from parking fines, parking meters and parking permits totaled \$1,835,376 and were the Town's second largest revenue source. These revenues decreased \$384,631 (17.3%). As a percentage of governmental revenue less operating and capital grants, parking decreased from 25.4% in fiscal year 2020 to 22.5% in fiscal year 2021. During the COVID-19 pandemic the town delayed charging parking fees, allowed residents to use spaces that had previously been pay to park and established 50 free 15-minute parking spaces to encourage take-out business at local restaurants.
3. Real estate transfer taxes were the Town's third largest revenue source at \$1,631,416, an increase of \$351,313 (27.4%). The Town uses transfer tax revenue only for funding capital projects and not for day-to-day operational costs. This revenue is difficult to predict since it can fluctuate widely from year to year from changes in the housing market. As a percentage of governmental revenue less operating and capital grants, transfer taxes increased from 14.7% in fiscal year 2020 to 20.0% in fiscal year 2021. This was the highest year of transfer tax collections as our town proved to be a great place to buy a house and wait out the pandemic.
4. Real estate rental taxes were the Town's fourth largest revenue source at \$1,551,645. These revenues decreased \$150,403 (8.8%). As a percentage of total governmental revenue less operating and capital grants, rental taxes decreased from 19.5% in fiscal year 2020 to 19.0% in fiscal year 2021. The State of Delaware instituted a short-term rental ban until 6/1/2020 because of the pandemic, causing less revenue from home rentals and hotel rooms.
5. Licenses, permits and other fees were the fifth largest revenue source at \$897,781. These revenues decreased \$204,500 (18.6%). The main revenue in this category is building permits, which brought in \$490,323. Building permit revenues were \$89,120 lower than the prior year as the COVID-19 pandemic delayed construction projects. Other revenues include business licenses, rental licenses, franchise fees, concession fees, shuttle bus fees and trolley fees. As a percentage of governmental revenue less operating and capital grants, licenses, permits, and other fees decreased from 12.6% in fiscal year 2020 to 11.0% in fiscal year 2021.

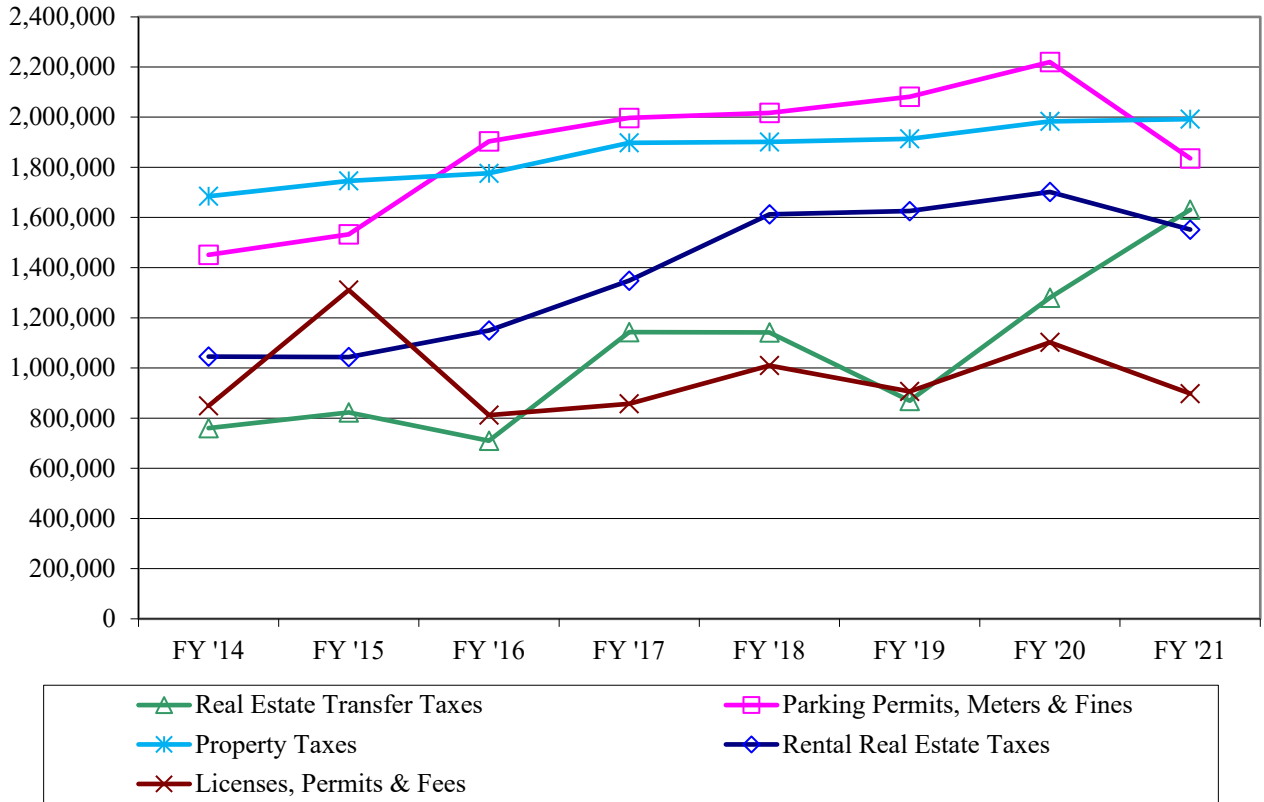
The Town budgets and sets fees with a goal of summer season revenues fully paying the cost of operations for the summer season. Summer season related revenue was approximately \$3.7 million, which is 46% of total General Fund revenues. This revenue includes parking fees, rental taxes, business licenses, beach concessions and other fines and fees. The operating cost for the summer season, including the depreciation of capital assets, was estimated at \$4.4 million in fiscal year 2021, which is 62% of total General Fund operating costs. Property tax, transfer tax and building permit revenues are not used to fund summer season costs. The COVID-19 pandemic caused a \$683,000 reduction in summer season revenue while summer season costs decreased \$153,000.

The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2021, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

### FY 2021 Governmental Revenue Sources (excludes grant funds)



## Trends in Major Governmental Revenue Sources



Real Estate Transfer taxes significantly fluctuate year to year as home sales volume and prices vary. During fiscal year 2021 we saw a large increase in home sales.

Parking is usually the town’s largest revenue source but slipped to second during the pandemic. We expect parking fees to be our largest revenue source again in fiscal year 2022. The hourly rate increased to \$2.50 in fiscal year 2021.

Property Tax rates are increased gradually every few years. The rate increased by 2.9% in fiscal year 2015, 5.7% in fiscal year 2017 for the Storm Emergency Relief Fund and by 2.7% for fiscal year 2020.

Rental Tax rates for residential and commercial properties last increased by 16.7% in fiscal year 2019. The rental tax rate for hotels and motels increased 8.3% in fiscal year 2017. Rental tax revenue dropped during fiscal year 2021 because of the pandemic.

Licenses, Permit & Fees revenue is predominately from Building Permit revenues. Building permit fees have not significantly changed since fiscal year 2006, instead fluctuations in this revenue reflect the size and number of construction projects in town. The large spike in revenue seen in fiscal year 2015 is from the Bethany Beach Ocean Suites hotel construction.

## Business-type Activities

The sanitation and water departments are the Town's business-type activities and are accounted for in their own funds. The Town segregates funds so that sanitation and water fees are used only to support sanitation and water needs, respectively. The sanitation and water funds are each entirely self-supporting.

Sanitation department revenues decreased \$29,613 (2.9%), approximately half of this decrease was in interest earnings as interest paid on certificates of deposits fell sharply when the pandemic started. Sanitation department expenses increased \$46,811 (4.8%). Sanitation revenues fell short of covering all operating costs, including depreciation, with a net operating loss of \$50,010, which is 5.1% of total sanitation revenue. The total decrease in net position was \$37,090. The Town's Budget and Finance Committee expects to discuss a trash fee increase for fiscal year 2023, which will be five years since the last fee increase. Income and expense detail are shown on page 69 of this report.

Water department revenues decreased \$15,773 (0.8%). Water department operating expenses decreased \$136,627 (8.5%). Water revenues covered all operating costs, including depreciation, with a net operating gain of \$432. The Town's Budget and Finance Committee expects to discuss a water fee increase for fiscal year 2024, which will be five years since the last fee increase. The total increase in net position was \$307,320. Income and expense detail are shown on page 68 of this report.

## Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### Governmental Funds

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town's financing requirements for operations. The unassigned fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs. Unassigned fund balance provides a reserve for emergencies and provides working capital to pay the Town's bills. During fiscal year 2021, the Town's governmental fund balance increased \$1,077,034 (15.3%) to \$8,126,089.

Most of the fund balance in the governmental funds is nonspendable or committed to indicate that it is not available for spending. Currently these designations are:

1. Nonspendable prepaid balances	\$163,977
2. Committed for payment of post-employment health care benefits	\$313,492
3. Committed for uses determined by the Cultural & Historical Affairs Committee	\$45,702
4. Committed for capital improvements in the coming fiscal year	\$1,739,000
5. Committed for the Storm Emergency Relief Fund	\$2,300,000
6. Committed for future capital replacements	\$3,129,000

The general fund is the main operating fund of the Town and accounts for major functions of the government including police, lifeguards, streets, parks, stormwater drainage, parking, recreation, and general administrative services. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the general fund's total fund balance and operating expenditures. The general fund's unassigned fund balance of \$434,918 is 5.4% of the \$8,126,089 total fund balance.

### **Proprietary Funds**

The Town's proprietary fund financial statements provide the same sort of information as the entity-wide statements and are found on pages 27-29 of this report.

The net position of the water department increased \$307,320 (4.0%) to \$7,961,761. Fiscal year 2021 resulted in a net operating income of \$432. Non-operating revenues of \$306,888 were received mainly from water impact fees for capital projects and sinking fund fees for water department debt repayment. Water use fees were last increased in fiscal year 2019.

The net position of the sanitation department decreased \$37,090 (2.0%) to end the year at \$1,804,651. Fiscal year 2021 resulted in a net operating loss of \$50,010. Trash fees were last increased in fiscal year 2018.

### **General Fund Budgetary Highlights**

The budgetary comparison schedule for the general fund can be found on page 57 of this report.

General fund revenues exceeded the amount budgeted by \$62,279 (0.7%). Page 12 of this report supplies detail on the largest revenues. Revenues from transfer taxes and building permits significantly exceeded our conservative, budgeted estimates.

The Town Council may amend the budget during the year as purchase decisions are made and previously estimated amounts become known.

General fund expenditures were under budget by \$843,291 (12.3%). Total revenues exceeded total expenditures by \$2,025,570, more than covering depreciation expense of \$1,052,490 and providing funding for future purchases of capital assets and for capital improvement projects.



## Capital Assets

The Town's investment in capital assets increased as follows:

<b>Governmental Activities</b>	<b>FY 2021 Additions</b>
Construction in Progress	\$124,157
Beach & Boardwalk	\$66,738
Building & Improvements	\$44,369
Machinery & Equipment	\$9,374
Streets & Parks	\$472,987
Vehicles	<u>\$260,911</u>
Total	\$978,536

<b>Sanitation Fund</b>	<b>FY 2021 Additions</b>
Vehicles & Equipment	\$166,355

<b>Water Fund</b>	<b>FY 2021 Additions</b>
Construction in Progress	\$43,521

In governmental activities, the largest area of capital expenditure in fiscal year 2021 was \$472,987 in Streets & Parks for several paving projects. The second largest was \$260,911 in Vehicles to purchase a trolley, a police car, an electric utility vehicle, a new pickup truck, and a used pickup truck. Construction in Progress for street repaving and the museum was the third largest at \$124,157.

Construction projects were \$66,738 on boardwalk repairs, \$18,480 on Comfort Station renovations and \$25,889 on the interior of the Frankford public works shop. The \$9,374 in Machinery & Equipment was for additional decorative streetlights on Route 1.

When capital projects are not completed by the end of the fiscal year they are classified as Construction in Progress, then when the project is complete it is transferred from Construction in Progress and into capital assets being depreciated. In fiscal year 2021, \$124,157 was added to Construction in Progress for four projects: \$78,682 for street paving, \$18,475 for Loop Canal bank stabilization, \$17,000 for museum construction and \$10,000 for a deposit on land purchase.

The sanitation department purchased a rear-loading trash truck for \$166,355.

In the water department, two projects are still In Process: \$39,750 deposit on a 250kw generator and \$3,771 deposit on a new drive unit for well 4.

Capital asset records are reviewed annually for accuracy and completeness. Assets that have been sold, scrapped or are no longer in use are deleted from the capital asset inventory. Further information on capital projects and purchases can be found on pages 39-40 of this report in Note 5.

## Debt Administration

As of March 31, 2021, the Town had \$1,034,296 in outstanding debt from construction of the water tower in 2014 and 2015. Of this total debt, \$606,059 (58.6%) is payable within five years; however, the Town Council intends to continue making accelerated payments on the water tower loan.

Additional information on Town debt can be found on pages 41-42 of this report in Notes 6 and 7.

## Economic Factors

We hope that the COVID-19 pandemic is now under control so that our fiscal year 2022 revenue will return to normal. First quarter results are very positive as many tourists took a vacation to our beach.

The Town received \$167,247 in funding from the Coronavirus Relief Fund, also known as the CARES Act. These funds reimbursed the town for our direct costs for enforcement, staff out sick, cleaning services, and supplies. \$8,579 was spent in fiscal year 2020 and \$158,668 was spent in fiscal year 2021.

The Town is allocated to receive \$672,153 from the American Rescue Plan, which passed in March 2021. This will greatly help make up for lost revenue and ensure that town services are not reduced because of the pandemic.

We expect revenues for the coming fiscal year to be like those of fiscal year 2021 as reported in these financial statements with the following exceptions:

The Town may be significantly affected by unpredictable events such as hurricanes and nor'easters. The Town takes a proactive approach to pending storms by activating our disaster plan, evacuating people, and relocating assets when feasible. The future economic performance of the Town could be greatly affected by weather events, particularly if they occur during the peak summer season.

Real estate transfer tax revenue is very unpredictable and dependent on the housing market. We expect to receive anywhere from \$650,000 to \$1,600,000 in fiscal year 2022. The Town chooses to budget at the conservative end of this range. The variable nature of this revenue is one reason that the Town uses these funds for capital purchases and projects and not for operational costs.

The fiscal year 2022 budget was approved in March 2021. The operating budget for all Town activities combined is \$9,338,000. This is \$299,000 (3.3%) more than the fiscal year 2021 operating budget. Budgeted operating costs increased 3.6% in the general fund, 3.3% in the sanitation fund and 1.5% in the water fund.

The fiscal year 2022 budget includes no changes to taxes or fees.

General Fund capital projects budgeted for fiscal year 2022 are:

- \$600,000 for restoration of the deteriorating Loop Canal bank
- \$300,000 for paving work not covered by the Municipal Street Aid grant
- \$175,000 for improvements to drainage on Central Ave and Maryland Ave
- \$75,000 to purchase and outfit two police vehicles
- \$50,000 for engineering of the Bladder Dam project
- \$20,000 for a commercial grade 60' lawnmower with bagger
- \$20,000 to purchase a used truck for lifeguard and beach use
- \$15,000 to purchase a used vehicle for administrative and other uses

Sanitation Fund capital purchase budgeted for fiscal year 2022 is \$210,000 to replace a rear-loading trash truck.

Water Fund capital projects budgeted for fiscal year 2022 are:

- \$50,000 for water system repairs as needed
- \$50,000 for equipment replacement as needed

### **Requests for Information**

This report is designed to provide an overview of the Town of Bethany Beach's finances. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Town Manager's Office, Town of Bethany Beach, P.O. Box 109, Bethany Beach, DE 19930.

## FINANCIAL STATEMENTS

**TOWN OF BETHANY BEACH, DELAWARE**

**STATEMENT OF NET POSITION**

**March 31, 2021**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,092,588	\$ 772	\$ 2,093,360
Investments	5,937,048	3,862,952	9,800,000
Receivables:			
Taxes - real and personal property	184,717	-	184,717
Service charges	-	585,067	585,067
Interest	3,665	2,383	6,048
Other	45,045	112	45,157
Prepaid expenses	163,977	38,687	202,664
Total current assets	8,427,040	4,489,973	12,917,013
Noncurrent assets			
Restricted cash and cash equivalents	264,368	95,233	359,601
Capital assets:			
Nondepreciable assets	6,410,944	43,521	6,454,465
Depreciable assets, net	9,963,572	6,528,488	16,492,060
Total noncurrent assets	16,638,884	6,667,242	23,306,126
Total assets	25,065,924	11,157,215	36,223,139
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension (see Note 9)	485,054	-	485,054
OPEB (see Note 8)	354,283	-	354,283
	839,337	-	839,337
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	220,670	58,181	278,851
Internal balances	(188,158)	188,158	-
Unearned revenue	528,496	10,066	538,562
Compensated absences liability	4,311	1,543	5,854
Bonds and notes payable	-	115,963	115,963
Total current liabilities	565,319	373,911	939,230
Noncurrent liabilities			
Compensated absences liability	279,880	98,559	378,439
Net pension liability (see Note 9)	202,159	-	202,159
OPEB obligation (see Note 8)	3,489,474	-	3,489,474
Bonds and notes payable	-	918,333	918,333
Total noncurrent liabilities	3,971,513	1,016,892	4,988,405
Total liabilities	4,536,832	1,390,803	5,927,635
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension (see Note 9)	285,711	-	285,711
<b>NET POSITION</b>			
Net investment in capital assets	16,374,516	5,537,713	21,912,229
Restricted	264,368	95,233	359,601
Unrestricted	4,443,834	4,133,466	8,577,300
Total net position	\$ 21,082,718	\$ 9,766,412	\$ 30,849,130

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**

**STATEMENT OF ACTIVITIES**

**Year Ended March 31, 2021**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants, and Interest	Capital Grants, and Interest	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General and administration	\$ 3,995,190	\$ -	\$ -	\$ -	\$ (3,995,190)	\$ -	\$ (3,995,190)
Licenses and inspections	259,297	897,781	-	-	638,484	-	638,484
Public safety:							
Police and Alderman fines and revenue	2,271,023	29,972	299,934	30,000	(1,911,117)	-	(1,911,117)
Parking	599,021	1,835,376	-	-	1,236,355	-	1,236,355
Beach patrol	658,382	-	-	-	(658,382)	-	(658,382)
Ambulance	149,195	149,132	-	-	(63)	-	(63)
Public works:							
Stormwater management	197,882	-	-	-	(197,882)	-	(197,882)
Streets and parks	1,725,984	-	-	-	(1,725,984)	-	(1,725,984)
Beach and boardwalk	363,872	-	-	-	(363,872)	-	(363,872)
Recreation - entertainment	147,957	-	-	-	(147,957)	-	(147,957)
Cultural, historical, and parade	9,257	-	-	-	(9,257)	-	(9,257)
Total governmental activities	10,377,060	2,912,261	299,934	30,000	(7,134,865)	-	(7,134,865)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	1,536,331	1,467,111	355,002	-	-	285,782	285,782
Sanitation	1,014,185	964,175	-	-	-	(50,010)	(50,010)
Total business-type activities	2,550,516	2,431,286	355,002	-	-	235,772	235,772
Total primary government	\$ 12,927,576	\$ 5,343,547	\$ 654,936	\$ 30,000	\$ (7,134,865)	\$ 235,772	\$ (6,899,093)
<b>General Revenues</b>							
Taxes:							
Property					1,991,934	-	1,991,934
Rental real estate					1,551,645	-	1,551,645
Transfer					1,631,416	-	1,631,416
Interest					60,445	34,458	94,903
Other					8,785	-	8,785
Total general revenues					5,244,225	34,458	5,278,683
Change in net position					(1,890,640)	270,230	(1,620,410)
Net position, beginning of year, as restated					22,973,358	9,496,182	32,469,540
Net position, end of year					\$ 21,082,718	\$ 9,766,412	\$ 30,849,130

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF BETHANY BEACH, DELAWARE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2021**

	Major Fund				Total Governmental Funds
	General Fund	Capital Projects	Special Revenue Fund	Ambulance Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,092,588	\$ -	\$ -	\$ -	\$ 2,092,588
Investments	5,937,048	-	-	-	5,937,048
Receivables:					
Taxes - real and personal property	184,717	-	-	-	184,717
Interest	3,665	-	-	-	3,665
Other	13,047	-	31,325	673	45,045
Prepaid expenses	163,977	-	-	-	163,977
Due from other funds	220,012	56,412	-	126	276,550
Restricted assets:					
Cash and cash equivalents	-	-	161,690	102,678	264,368
<b>Total assets</b>	<b>\$ 8,615,054</b>	<b>\$ 56,412</b>	<b>\$ 193,015</b>	<b>\$ 103,477</b>	<b>\$ 8,967,958</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 162,949	\$ 56,412	\$ 1,309	\$ -	\$ 220,670
Due to other funds	56,412	-	31,980	-	88,392
Unearned revenues	265,293	-	159,726	103,477	528,496
Compensated absences liability	4,311	-	-	-	4,311
<b>Total liabilities</b>	<b>488,965</b>	<b>56,412</b>	<b>193,015</b>	<b>103,477</b>	<b>841,869</b>
<b>FUND BALANCES</b>					
Nonspendable	163,977	-	-	-	163,977
Committed for:					
Cultural and historic	45,702	-	-	-	45,702
Retiree benefits	313,492	-	-	-	313,492
Capital improvements	1,739,000	-	-	-	1,739,000
Storm emergency	2,300,000	-	-	-	2,300,000
Future capital replacements	3,129,000	-	-	-	3,129,000
Unassigned	434,918	-	-	-	434,918
<b>Total fund balances</b>	<b>8,126,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,126,089</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,615,054</b>	<b>\$ 56,412</b>	<b>\$ 193,015</b>	<b>\$ 103,477</b>	<b>\$ 8,967,958</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**March 31, 2021**

Total fund balances, governmental funds	\$ 8,126,089
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	16,374,516
Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:	
Deferred outflow of resources - pension (see Note 9)	485,054
Deferred inflow of resources - pension (see Note 9)	(285,711)
Net pension liability	(202,159)
Compensated absences	(279,880)
Deferred outflow of resources - OPEB (see Note 8)	354,283
Other post-employment benefits obligation	<u>(3,489,474)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 21,082,718</u>



**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2021**

	<u>Major Fund</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Ambulance Fund</u>	
<b>REVENUES:</b>					
Taxes:					
Property	\$ 1,991,934	\$ -	\$ -	\$ -	\$ 1,991,934
Rental real estate	1,551,645	-	-	-	1,551,645
Transfer	1,631,416	-	-	-	1,631,416
Parking revenues	1,835,376	-	-	-	1,835,376
Licenses, permits, and fees	897,781	-	-	-	897,781
Police and Alderman fines and revenue	29,972	-	-	-	29,972
Interest	60,370	-	12	63	60,445
Service receipts	-	-	-	149,132	149,132
Intergovernmental revenues	-	-	329,934	-	329,934
Contributions	607	-	-	-	607
Miscellaneous	8,178	-	-	-	8,178
<b>Total revenues</b>	<b>8,007,279</b>	<b>-</b>	<b>329,946</b>	<b>149,195</b>	<b>8,486,420</b>
<b>EXPENDITURES:</b>					
General and administration	1,068,894	-	-	-	1,068,894
Licenses and inspections	249,665	-	-	-	249,665
Public safety:					
Police	1,850,387	-	299,946	-	2,150,333
Alderman	38,083	-	-	-	38,083
Parking	552,156	-	-	-	552,156
Beach patrol	658,382	-	-	-	658,382
Ambulance	-	-	-	149,195	149,195
Public works:					
Stormwater management	117,299	-	-	-	117,299
Streets and parks	1,037,958	-	-	-	1,037,958
Beach and boardwalk	284,122	-	-	-	284,122
Recreation - entertainment	117,972	-	-	-	117,972
Cultural, historical, and parade	6,791	-	-	-	6,791
Capital outlay	-	948,536	30,000	-	978,536
<b>Total expenditures</b>	<b>5,981,709</b>	<b>948,536</b>	<b>329,946</b>	<b>149,195</b>	<b>7,409,386</b>
Excess (deficiency) of revenues over expenditure	2,025,570	(948,536)	-	-	1,077,034
Other financing (uses) sources:					
Transfer (out) in	(948,536)	948,536	-	-	-
<b>Total other financing (uses) sources</b>	<b>(948,536)</b>	<b>948,536</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	1,077,034	-	-	-	1,077,034
Fund balances, beginning of year, as restated	7,049,055	-	-	-	7,049,055
<b>Fund balances, end of year</b>	<b>\$ 8,126,089</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,126,089</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2021**

Net change in fund balances, governmental funds \$ 1,077,034

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of those assets is allocated over their estimated useful  
lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	978,536
Depreciation expense	(1,052,490)

Some items reported in the Statement of Activities do not require the use of current  
financial resources and, therefore, are not reported as expenditures in governmental  
funds. These activities consist of:

Change in deferred outflow of resources - pension (see Note 9)	(39,791)
Change in deferred inflow of resources - pension (see Note 9)	(134,318)
Change in net pension liability	202,742
Change in compensated absences	(29,554)
Change in deferred outflow of resources - OPEB (see Note 8)	354,283
Change in other post-employment benefits obligation	<u>(3,247,082)</u>

Change in net position of governmental activities \$ (1,890,640)

**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**March 31, 2021**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 765	\$ 7	\$ 772
Investments	2,493,718	1,369,234	3,862,952
Receivables:			
Service charges	580,386	4,681	585,067
Interest	1,536	847	2,383
Miscellaneous	112	-	112
Prepaid expenses	26,619	12,068	38,687
<b>Total current assets</b>	<b>3,103,136</b>	<b>1,386,837</b>	<b>4,489,973</b>
Noncurrent assets			
Restricted cash and cash equivalents	95,233	-	95,233
Capital assets, at cost	10,841,099	1,854,820	12,695,919
Less: accumulated depreciation	(4,854,315)	(1,269,595)	(6,123,910)
<b>Total noncurrent assets</b>	<b>6,082,017</b>	<b>585,225</b>	<b>6,667,242</b>
<b>Total assets</b>	<b>\$ 9,185,153</b>	<b>\$ 1,972,062</b>	<b>\$ 11,157,215</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 35,611	\$ 22,570	\$ 58,181
Due to other funds	84,260	103,898	188,158
Unearned revenues	10,066	-	10,066
Long-term liabilities due within one year:			
Compensated absences liability	397	1,146	1,543
Bonds and notes payable	115,963	-	115,963
<b>Total current liabilities</b>	<b>246,297</b>	<b>127,614</b>	<b>373,911</b>
Noncurrent liabilities			
Compensated absences liability	58,762	39,797	98,559
Bonds and notes payable	918,333	-	918,333
<b>Total noncurrent liabilities</b>	<b>977,095</b>	<b>39,797</b>	<b>1,016,892</b>
<b>Total liabilities</b>	<b>1,223,392</b>	<b>167,411</b>	<b>1,390,803</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,952,488	585,225	5,537,713
Restricted	95,233	-	95,233
Unrestricted	2,914,040	1,219,426	4,133,466
<b>Total net position</b>	<b>\$ 7,961,761</b>	<b>\$ 1,804,651</b>	<b>\$ 9,766,412</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**Year Ended March 31, 2021**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Charges for services	\$ 1,435,128	\$ 964,175	\$ 2,399,303
Other	31,983	-	31,983
<b>Total operating revenues</b>	<b>1,467,111</b>	<b>964,175</b>	<b>2,431,286</b>
<b>OPERATING EXPENSES</b>			
Operations	1,137,667	871,541	2,009,208
Depreciation and amortization	329,012	142,644	471,656
<b>Total operating expenses</b>	<b>1,466,679</b>	<b>1,014,185</b>	<b>2,480,864</b>
<b>Net operating income (loss)</b>	<b>432</b>	<b>(50,010)</b>	<b>(49,578)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Non-operating revenue	355,002	-	355,002
Financial income, net	6,873	12,920	19,793
Loss on disposal of capital assets	(54,987)	-	(54,987)
<b>Total non-operating revenue</b>	<b>306,888</b>	<b>12,920</b>	<b>319,808</b>
<b>Change in net position</b>	<b>307,320</b>	<b>(37,090)</b>	<b>270,230</b>
<b>Total net position, beginning of year, as restated</b>	<b>7,654,441</b>	<b>1,841,741</b>	<b>9,496,182</b>
<b>Total net position, end of year</b>	<b>\$ 7,961,761</b>	<b>\$ 1,804,651</b>	<b>\$ 9,766,412</b>

*The Notes to Financial Statements are an integral part of this statement.*

**TOWN OF BETHANY BEACH, DELAWARE**

**STATEMENT OF CASH FLOWS**

**BUSINESS-TYPE ACTIVITIES**

**Year Ended March 31, 2021**

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 1,441,065	\$ 982,011	\$ 2,423,076
Payments to suppliers	(545,472)	(384,313)	(929,785)
Payments to employees	(608,746)	(494,823)	(1,103,569)
Net cash provided by operating activities	286,847	102,875	389,722
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Non-operating revenue	355,002	-	355,002
Advances from general fund, net	84,086	108,152	192,238
Net cash provided by noncapital financing activities	439,088	108,152	547,240
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(43,521)	(166,355)	(209,876)
Principal paid on long-term debt	(230,425)	-	(230,425)
Interest paid on long-term debt	(14,665)	-	(14,665)
Net cash used in capital and related financing activities	(288,611)	(166,355)	(454,966)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(845,985)	(402,535)	(1,248,520)
Interest income	21,538	12,920	34,458
Net cash used in investing activities	(824,447)	(389,615)	(1,214,062)
<b>Net change in cash and cash equivalents</b>	<b>(387,123)</b>	<b>(344,943)</b>	<b>(732,066)</b>
<b>Cash and cash equivalents, beginning of year, as restated</b>	<b>483,121</b>	<b>344,950</b>	<b>828,071</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 95,998</b>	<b>\$ 7</b>	<b>\$ 96,005</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 432	\$ (50,010)	\$ (49,578)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	329,012	142,644	471,656
Changes in assets and liabilities:			
Receivables, net	(27,163)	17,836	(9,327)
Prepaid expenses	(14,257)	(6,590)	(20,847)
Unearned revenue	1,117	-	1,117
Accounts payable and other accrued expenses	(12,596)	(7,708)	(20,304)
Compensated absences liability	10,302	6,703	17,005
<b>Net cash provided by operating activities</b>	<b>\$ 286,847</b>	<b>\$ 102,875</b>	<b>\$ 389,722</b>

*The Notes to Financial Statements are an integral part of this statement.*

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Description of the Town of Bethany Beach, Delaware

The Town of Bethany Beach, Delaware (“the Town”) was incorporated in 1901 under the provisions of the State of Delaware, and was reincorporated in 1986. The Town operates under a Council-Manager form of government. The Town directly provides all basic local governmental services.

#### A. Financial Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basis, but not the only criterion, for including a potential component unit is the exercise of oversight responsibility by the Town’s elected officials. Based upon the application of these criteria, there are no component units accompanying these statements.

### Note 2. Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The most significant of the Town’s accounting policies are described below.

#### A. Basis of Presentation

The Town’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the Town at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Town’s governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### A. Basis of Presentation (continued)

##### FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each fund is presented in a separate column. Fiduciary funds are reported by type. There are no fiduciary funds.

#### B. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

##### GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

General Fund – The general fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities that are not financed by proprietary funds.

Special Revenue Fund – The special revenue fund is used to account for the proceeds of specific revenue sources.

The remaining governmental fund which is non-major consists of the following:

The Ambulance Fund is used to account for the proceeds and expenditures of ambulance fees.

##### PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's enterprise funds are:

Water Fund – The water fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operation of the Town's water services.

Sanitation Fund – The sanitation fund is used to account for all financial transactions, including capital outlays, related to the operation of the Town's sanitation services.

# NOTES TO FINANCIAL STATEMENTS

## Note 2. Summary of Significant Accounting Policies (continued)

### B. Fund Accounting (continued)

#### FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The Town does not have any fiduciary funds.

### C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, “available” is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### D. Basis of Accounting (continued)

##### Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Notes 8 and 9 for further details relating to the deferred outflows/inflows of resources, as recorded on the Statement of Net Position, relating to the Town's OPEB and pension plans.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### E. Budgetary Process

The Town Council follows these procedures in establishing the budgetary data reflected within the financial statements:

- 1) The Budget Committee submits to the Town Council a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- 2) Council meets in open session to review the proposed operating budget.
- 3) Not before the public meeting and prior to the end of the preceding fiscal year, the budget is legally enacted.
- 4) Formal budgetary integration is employed as a management control device during the year for all the operating funds.
- 5) The budget for the general fund is adopted on a basis consistent with GAAP as applicable to governments.
- 6) The budgets for the special revenue fund are approved on a program-by-program basis by the funding agencies.
- 7) The Town Council may amend the approved budget periodically throughout the year.

#### F. Cash Equivalents

For purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### G. Investments

Investments consist of certificates of deposit and are carried at cost, which approximates fair market value.

#### H. Receivables

Anticipated bad debts are considered to be negligible by the Town management and, accordingly, no provision for bad debts has been included in the financial statements.

#### I. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful lives of the assets, ranging from 4 to 50 years.

#### J. Restricted Assets

Restricted assets consist of cash and cash equivalents restricted for specified projects and/or purposes.

#### K. Unearned Revenue

Unearned revenues at March 31, 2021 are as follows:

	Governmental Activities	Business-Type Activities	Total
Parking permits	\$ 42,140	\$ -	\$ 42,140
Licenses	105,900	-	105,900
Concession fees	80,000	-	80,000
Grants	159,726	-	159,726
Ambulance fees	103,477	-	103,477
Other	37,253	10,066	47,319
<b>Total unearned revenues</b>	<b>\$ 528,496</b>	<b>\$ 10,066</b>	<b>\$ 538,562</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### L. Compensated Absences

An employee may accumulate 24 days of vacation pay. No sick days are accumulated until an individual's term of employment has exceeded 3 years. Then, an employee may accumulate up to 20 days of sick leave. The Town accrues a liability for compensated absences, which meet the following criteria:

- The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation pay and sick leave, which has been earned but not taken by Town employees. The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the long-term portion of the liability for compensated absences is not recorded since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences of the proprietary fund type is recorded within the fund as an accrued liability in accordance with U.S. GAAP.

#### M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

#### N. Net Position

Net position represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Government-wide and proprietary fund net position is divided into three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Restricted – consists of net position that is restricted due to limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

Unrestricted – all remaining balances.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### O. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Town Council through ordinance or resolution.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

The Town did not have any restricted or assigned fund balances at March 31, 2021. The purpose for committed funds is indicated on the face of the Balance Sheet. Nonspendable fund balances consist of prepaid amounts.

#### P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sanitation activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

#### Q. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### R. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables.” Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. The only interfund balances which remain on the government-wide Statement of Net Position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances.”

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### S. Interfund Transfers In/Out

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### T. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### U. Operating Leases

The Town has several parking lot lease agreements with various lease terms, renewable annually. Rent expense totaled approximately \$64,000 for the year ended March 31, 2021.

### Note 3. Real Estate Taxes

The tax on real estate in the Town area for the fiscal year ended March 31, 2021 was \$0.190 per \$100 of assessed valuation as levied by the Town Council. The Town bills and collects its own real estate taxes. Delinquent taxes are levied by the Town. The schedule of real estate taxes levied for the fiscal year is as follows:

- June 1 - Levy date (effective date of enforceable lien)
- September 1 - 2% penalty for each subsequent month not paid

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Cash and Investments

The deposit and investment policy of the Town adheres to business practices of Delaware municipalities. Town deposits are held in federally regulated financial institutions whose deposits are covered by the Federal Deposit Insurance Corporation (FDIC), or are collateralized with securities held by the pledging financial institution, therefore minimizing custodial credit risk.

#### Cash and Cash Equivalents

The following summary represents the Town deposits which are (Category 1) fully insured or collateralized with securities held by the Town or its agent in the Town's name, (Category 2) those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent(s) in the Town's name, and (Category 3) those deposits which are not collateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name at March 31, 2021:

Description	Financial Institution Balances			Totals	Carrying Amounts
	1	2	3		
Cash and cash equivalents:					
Unrestricted	\$ 751,200	\$ 1,457,008	\$ -	\$ 2,208,208	\$ 2,093,360
Restricted	-	359,601	-	359,601	359,601
<b>Totals</b>	<b>\$ 751,200</b>	<b>\$ 1,816,609</b>	<b>\$ -</b>	<b>\$ 2,567,809</b>	<b>\$ 2,452,961</b>

#### Investments

The Town's investments are categorized according to the level of credit risk assumed as of the balance sheet date. Category 1 includes investments that are insured, registered, or are held by the Town's agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent but not in the Town's name. At March 31, 2021, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of deposit	1, 2	\$ 9,800,000	\$ 9,800,000
Investments:			
Unrestricted		\$ 9,800,000	\$ 9,800,000
<b>Total investments</b>		<b>\$ 9,800,000</b>	<b>\$ 9,800,000</b>

The Town's exposure to investment rate and credit risk is minimal, as most investments are in cash or certificates of deposits and are thus precluded from having to sell below original cost.

Of the \$9,800,000 in investments, \$7,500,000 has been designated for capital replacement and \$2,300,000 has been designated for Storm Emergency Relief.

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended March 31, 2021:

GOVERNMENTAL ACTIVITIES	March 31, 2020	Additions	Deletions/ Transfers	March 31, 2021
Capital assets, not being depreciated:				
Land	\$ 6,286,783	\$ -	\$ -	\$ 6,286,783
Construction in progress	1,572,308	124,157	(1,572,304)	124,161
Total capital assets, not being depreciated	<u>7,859,091</u>	<u>124,157</u>	<u>(1,572,304)</u>	<u>6,410,944</u>
Capital assets, being depreciated:				
Beach and boardwalk	1,228,330	66,738	-	1,295,068
Building and improvements	4,648,131	44,369	103,603	4,796,103
Land improvements	626,492	-	-	626,492
Machinery and equipment	1,440,987	9,374	(101,805)	1,348,556
Stormwater	1,118,338	-	-	1,118,338
Streets and parks	7,143,472	472,987	1,028,336	8,644,795
Vehicles	1,157,112	260,911	(46,100)	1,371,923
Total capital assets, being depreciated	<u>17,362,862</u>	<u>854,379</u>	<u>984,034</u>	<u>19,201,275</u>
Less accumulated depreciation:				
Beach and boardwalk	551,353	79,590	-	630,943
Building and improvements	2,809,556	127,618	(174,768)	2,762,406
Land improvements	517,797	39,035	-	556,832
Machinery and equipment	865,505	97,453	(101,805)	861,153
Stormwater	790,872	59,132	-	850,004
Streets and parks	2,301,883	573,471	(265,597)	2,609,757
Vehicles	936,517	76,191	(46,100)	966,608
Total accumulated depreciation	<u>8,773,483</u>	<u>1,052,490</u>	<u>(588,270)</u>	<u>9,237,703</u>
Total capital assets, being depreciated, net	<u>8,589,379</u>	<u>(198,111)</u>	<u>1,572,304</u>	<u>9,963,572</u>
Governmental activities capital assets, net	<u>\$ 16,448,470</u>	<u>\$ (73,954)</u>	<u>\$ -</u>	<u>\$ 16,374,516</u>

Depreciation expense was charged to governmental functions as follows:

General, administrative, and park development	\$ 64,918
Licenses and inspections	8,404
Police and Alderman	65,967
Parking	37,929
Public works:	
Stormwater management	80,475
Streets and parks	683,343
Beach and boardwalk	79,656
Recreation - entertainment	29,332
Cultural, historical, and parade	2,466
	<u>\$ 1,052,490</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets (continued)

<b>BUSINESS-TYPE ACTIVITIES</b>	March 31, 2020	Additions	Deletions/ Transfers	March 31, 2021
<b>Water Fund</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 43,521	\$ -	\$ 43,521
<b>Total capital assets, not being depreciated</b>	<b>-</b>	<b>43,521</b>	<b>-</b>	<b>43,521</b>
Capital assets, being depreciated:				
Plant and water distribution system	10,453,286	-	(95,225)	10,358,061
Vehicles and equipment	662,597	-	(223,080)	439,517
<b>Total capital assets, being depreciated</b>	<b>11,115,883</b>	<b>-</b>	<b>(318,305)</b>	<b>10,797,578</b>
<b>Total accumulated depreciation</b>	<b>4,788,621</b>	<b>329,012</b>	<b>(263,318)</b>	<b>4,854,315</b>
<b>Total capital assets, being depreciated, net</b>	<b>6,327,262</b>	<b>(329,012)</b>	<b>(54,987)</b>	<b>5,943,263</b>
<b>Water Fund capital assets, net</b>	<b>\$ 6,327,262</b>	<b>\$ (285,491)</b>	<b>\$ (54,987)</b>	<b>\$ 5,986,784</b>
<b>Sanitation Fund</b>				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 1,688,465	\$ 166,355	\$ -	\$ 1,854,820
<b>Total capital assets, being depreciated</b>	<b>1,688,465</b>	<b>166,355</b>	<b>-</b>	<b>1,854,820</b>
<b>Total accumulated depreciation</b>	<b>1,126,951</b>	<b>142,644</b>	<b>-</b>	<b>1,269,595</b>
<b>Total capital assets, being depreciated, net</b>	<b>561,514</b>	<b>23,711</b>	<b>-</b>	<b>585,225</b>
<b>Sanitation Fund capital assets, net</b>	<b>\$ 561,514</b>	<b>\$ 23,711</b>	<b>\$ -</b>	<b>\$ 585,225</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,888,776</b>	<b>\$ (261,780)</b>	<b>\$ (54,987)</b>	<b>\$ 6,572,009</b>



## NOTES TO FINANCIAL STATEMENTS

### Note 6. Bonds and Notes Payable – Business-Type Activities

The following is a summary of the changes in the business-type activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2020	Additions	Retirements and Repayments	Balances March 31, 2021	Amount Due in One Year
Compensated absences			\$ 83,097	\$ 17,005	\$ -	\$ 100,102	\$ 1,543
General obligation bonds:							
Series 2012-SRF	2.13%	2031	1,264,721	-	230,425	1,034,296	115,963
Total business-type activities long-term debt			<u>\$ 1,347,818</u>	<u>\$ 17,005</u>	<u>\$ 230,425</u>	<u>\$ 1,134,398</u>	<u>\$ 117,506</u>

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2021 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2022	\$ 115,963	\$ 21,627	\$ 137,590
2023	118,658	18,932	137,590
2024	121,199	16,391	137,590
2025	123,794	13,796	137,590
2026	126,445	11,145	137,590
2027 - 2031	428,237	17,301	445,538
	<u>\$ 1,034,296</u>	<u>\$ 99,192</u>	<u>\$ 1,133,488</u>

Interest expense in the business-type activities for the year ended March 31, 2021 totaled \$14,665.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Bonds and Notes Payable – Governmental Activities

The following is a summary of the changes in the governmental activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2020	Additions	Retirements and Repayments	Balances March 31, 2021	Amount Due in One Year
Compensated absences			\$ 250,326	\$ 33,865	\$ -	\$ 284,191	\$ 4,311
Total governmental activities long-term debt			\$ 250,326	\$ 33,865	\$ -	\$ 284,191	\$ 4,311

Interest expense in the governmental activities for the year ended March 31, 2021 totaled \$0.

### Note 8. Post-Employment Healthcare Benefits

#### Plan Description

The Town administers two single-employer defined benefit healthcare plans (the “Plans”) for employees. The Town has the authority to establish and amend the funding of the Plans. No assets are accumulated in a trust that meet the criteria as defined in GASB No. 75 paragraph 4. The Town pays for the cost of each plan on a pay-as-you-go basis from the general fund. The Plan does not issue a publicly available financial report.

Census Data is as follows:

Census Date	March 2021
Participants	
Active employees	40
Inactive employees entitled to but not yet receiving benefits	0
Inactive employees currently receiving benefits	3
<b>Total</b>	<b>43</b>
Average Ages	
Active employees	44.4
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	65.0
Average Service	
Active employee	11.5

#### Eligibility Provisions

*1991 Plan* - Personnel employed by the Town from 1991 through 1999 are eligible for subsidized coverage under this closed retiree healthcare benefit. Employees must have 7 years of service. There is no service requirement.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

#### 2020 Plan

*General Personnel* - To receive the benefit, the retiree must have retired and be collecting a pension through the State of Delaware, County and Municipal Other Employees Plan with 25 years of service with the Town of Bethany Beach. The eligibility requirements for the Delaware County and Municipal Other Employees Plan are as follows:

- At least 62 years of age and terminate service with at least five (5) years of credited service, or
- At least 60 years of age and have at least 15 years of credited service, or
- 30 years of credited service.

*Police Personnel* - To receive the benefit, the retiree must have retired and be collecting a pension through the State of Delaware, County and Municipal Police and Firefighter Plan with 25 years of service as a Police Officer with the Town of Bethany Beach. The eligibility requirements for the Delaware County and Municipal Police and Firefighter Plan are as follows:

- At least 62 years of age and terminate service with at least five (5) years of credited service, or
- Age plus years of credited service equals 75 (minimum of 10 years of service), or
- 20 years of credited service.

#### Medical Benefits

*1991 Plan* - 100% Town-paid health coverage is provided to vested and retiring employees. No contributions are required. Coverage for spouses of retirees is also provided at no cost. Coverage continues for the lifetime of the retiree. Coverage for spouses ends upon the death of the retiree.

#### 2020 Plan

*General Personnel* - The Town subsidizes retiree medical coverage as follows:

Years of Service	Age Required	Town Share
25	55	75%
26	55	80%
27	55	85%
28	55	90%
29	55	95%
30	55	100%

The Town does not directly pay for premiums. Proof of coverage must be provided for reimbursement no more than quarterly and no less than annually. Claimed costs more than one year old will not be reimbursed. These reimbursement payments are only for health insurance premiums and may not include any other costs. The cost of Concierge Medicine, retainer agreements, boutique medicine or similar arrangements with health care providers are not included in this benefit.

If the retiree chooses to cover their spouse and children, then they are responsible for 100% of the additional cost. There is no offset for families.

Any benefit is a limited amount at the State's rate. If the retiree chooses to get other coverage than through the Pension Office, then the Town will not pay any more than the cost of the healthcare plan through the State Pension Office.

The benefit ends when the retiree becomes eligible for Medicare or Medicaid.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

*Police Personnel* - The Town pays 20% of the cost of medical coverage for a retiree. The State of Delaware currently offers a Health Care Offset of up to 80% of the cost of individual healthcare premiums in retirement for County and Municipal Police and Firefighter Plan, The amount of the offset changes annually. If the State reduces their offset to below 80%, then the Town will not be obligated to increase its percentage contribution to above 20% of the highest available State Plan.

The Town does not directly pay for premiums. Proof of coverage must be provided for reimbursement no more than quarterly and no less than annually. Claimed costs more than one year old will not be reimbursed. These reimbursement payments are only for health insurance premiums and may not include any other costs. The cost of Concierge Medicine, retainer agreements, boutique medicine or similar arrangements with health care providers are not included in this benefit.

If the retiree chooses to cover their spouse and children, then they are responsible for 100% of the additional cost. There is no offset for families.

The benefit ends when the retiree becomes eligible for Medicare or Medicaid.

#### Comments

The Discount Rate was changed to comply with the GASB 75 Standard.

The valuation includes one retiree who is receiving subsidized medical coverage in the 2020 Plan. This individual did not meet the eligibility requirements, but was nonetheless granted subsidized coverage by the Town.

The 2020 Plan became effective on August 25, 2020. As a result, the Net OPEB Liability as of March 31, 2020 only reflects the liability associated with the 1991 Plan.

Years of service prior to the effective date of the 2020 Plan are counted toward satisfaction of the eligibility requirements for the plan.

The institution of the 2020 Plan is considered a Change of Benefit Terms. Per GASB 75, Changes of Benefit Terms should be immediately recognized in the OPEB Expense.

The Net OPEB Liability due to the Implicit Rate Subsidy is approximately 73% of the total.

It is noted that there is one active employee and one retiree remaining in the 1991 Plan.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

#### ACTUARIAL METHODS

Valuation date	April 1, 2020
Measurement date	March 31, 2021
Participant Data	Employee and retiree data were supplied by the plan sponsor.
Fiscal Year	April 1 - March 31
Actuarial Cost Method	Entry Age Normal (Alternative Measurement Method)
Changes since last actuarial valuation	The discount was changed per GASB 75 rules.
Nature of actuarial calculations	The results are estimates based on assumptions about future events. Assumptions may be made about participant data or other factors. All approximations and assumptions are noted. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

#### SIGNIFICANT ASSUMPTIONS

Health Care Trend	
Initial Health Care Cost Trend Rate	
- 1991 Plan, Medical	6.00%
- 2020 Plan, Medical	6.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2036
Discount Rate	1.74%
Inflation Rate	3.00%
Salary Rate Increase	4.00%
Expected Rate of Return on Assets	Not Applicable
Mortality	General Employees: PubG.H-2010 Mortality Table - General Police Employees: PubS.H-2010 Mortality Table - Safety

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

Discount Rate - The Town does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 1.74% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of March 31, 2021.

The following presents the Plan's total OPEB liability, calculated using the current discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

DISCOUNT RATE			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 3,152,723	\$ 3,489,474	\$ 3,872,843

The following presents the Plan's total OPEB liability, calculated using the current health care trend rate, as well as what the total OPEB liability would be if it were calculated using a health care trend rate that is 1% point lower or 1% point higher:

HEALTH CARE TREND			
System	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 3,957,163	\$ 3,489,474	\$ 3,091,091

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)	Change in Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances - beginning of year	\$ 242,392	\$ -	\$ 242,392
Service cost	60,147	-	60,147
Interest on total OPEB liability	5,543	-	5,543
Changes of benefit terms	2,852,616	-	2,852,616
Difference between expected & actual experience	-	-	-
Changes of assumptions and other inputs	361,574	-	361,574
Contributions - employer	-	-	-
Contributions - active & inactive employees	-	-	-
Net investment income	-	-	-
Benefit payments	(32,798)	-	(32,798)
Administrative expense	-	-	-
Other changes	-	-	-
Balances - end of year	\$ 3,489,474	\$ -	\$ 3,489,474

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

As of March 31, 2021, the Town has designated \$313,492 in cash to pay for these future benefits which is included in cash and cash equivalents on the statement of net position.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

The amount of OPEB expense recognized in the reporting period are as follows:

Service cost	\$	58,430
Interest on service cost		1,717
<hr/>		
Total		60,147
Interest cost		5,543
Difference between expected & actual experience		-
Changes of assumptions and other inputs		7,291
Changes of benefit terms		2,852,616
<hr/>		
OPEB Expense	\$	2,925,597

Deferred outflows and inflows of resources are as follows:

	Deferred Outflows	Deferred Inflows
Balances - beginning of year	\$ -	\$ -
Difference between expected & actual experience	-	-
Changes of assumptions	399,040	-
Net difference between projected & actual earnings	-	-
Amortization of items allowed by GASB 75	(44,757)	-
<hr/>		
Balances - end of year	\$ 354,283	\$ -

Net deferred outflows/ (inflows) will be amortized as follows:

2022	\$	44,758
2023		44,758
2024		44,758
2025		44,758
2026		44,758
Thereafter		130,493
<hr/>		
Total	\$	354,283

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans

#### A. Plan Descriptions and Contribution Information

The County & Municipal Other Employees' Pension Plan (the Employee Plan) and the County & Municipal Police and Firefighters' Pension Plan (the Police & Fire Plan) are cost sharing multiple-employer defined-benefit pension plans established in the Delaware Code (collectively "the Plans"). The Plans are administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of both Plans is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plans are commingled with other Plans for investment purposes, the Plans' assets may be used only for the payment of benefits to the members of the Plans in accordance with the terms of the Plans.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1  
860 Silver Lake Blvd  
Dover, DE 19904

The following are brief descriptions of the Plans in effect as of June 30, 2020. For a more complete description, please refer to the DPERS CAFR.

#### Plan Description and Eligibility

The Employee Plan – Covers employees of counties or municipalities that have joined the Employee Plan.

The Police & Fire Plan – Covers police officers and firefighters employed by a county or municipality of the State that have joined the Police & Fire Plan.

#### Service Benefits

The Employee Plan – 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

The Police & Fire Plan – 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay).

**Vesting** – 5 years of credited service.

#### Retirement

The Employee Plan – Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.

The Police & Fire Plan – Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.



## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### Disability Benefits

The Employee Plan – Same as Service Benefits. Employee must have 5 years of credited service.

The Police & Fire Plan –

*Duty – Total Disability* – 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

*Duty – Partial Disability* – Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

*Non-Duty* – Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

#### Survivor Benefits

The Employee Plan – If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

The Police & Fire Plan – If employee is receiving a pension, then eligible survivor receives a minimum of 50% of pension; if employee is active, eligible survivor receives 75% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

#### B. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the GASB. Such preparation requires management of DPERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

#### C. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plans to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources, and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plans' total employer contributions during the measurement period July 1, 2019 through June 30, 2020, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the Plans are recognized when due pursuant to legal requirements. Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 7.29% and 16.84% of earnings for fiscal year 2020 for the Employee Plan and the Police & Fire Plan, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### D. Collective Net Pension Liability and Actuarial Information

The components of the net pension liability of the Town at June 30, 2020 were as follows:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Employers' total pension liability	\$ 2,583,677	\$ 3,705,560
Plan net position	2,504,847	3,582,231
Employers' net pension liability	\$ 78,830	\$ 123,329

Employer's proportionate (percentage) of the collective NPL	3.7125%	0.8025%
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*The amounts above represent the Town's proportional percentage*

#### Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

Plan	County & Municipal Other Employees'	County & Municipal Police & Firefighters'
Actuarial assumptions:		
Investment rate of return / discount rate (1)	7.0%	7.0%
Projected salary increases (1)	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments	0.00%	0.00%

(1) Inflation is included at 2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plans' current and expected asset allocation is summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Asset Allocation</b>
Domestic equity	5.7%	28.5%
International equity	5.7%	15.2%
Fixed income	2.0%	28.8%
Alternative investments	7.8%	23.0%
Cash and equivalents	0.0%	4.5%

*Discount rate* – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability (asset) to changes in the discount rate* – The following presents the net pension liability (asset), calculated using the discount rate of 7.0%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<b>Plans</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
County & Municipal Other Employees'	\$ 478,806	\$ 78,830	\$ (249,408)
County & Municipal Police & Firefighters'	686,460	123,329	(336,292)
Total pensions liability / (asset)	\$ 1,165,266	\$ 202,159	\$ (585,700)

*The amounts above represent the Town's proportional percentage*

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### E. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability

The following presents a summary of changes in the deferred outflows of resources, deferred inflows of resources and the net pension liability (asset):

	Amortization period	March 31, 2020	Additions	Deductions	March 31, 2021
<b><u>County &amp; Municipal Other Employees'</u></b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	8-9 years	\$ 11,118	\$ (12,013)	\$ 342	\$ (553)
Changes of assumptions	9 years	59,410	-	(12,968)	46,442
Net difference between projected and actual earnings on pension plan investments	5 years	2,960	(63,722)	1,803	(58,959)
Change in proportion	8-9 years	(17,548)	(5,024)	3,516	(19,056)
Year ending contribution	N/A	102,815	107,159	(102,815)	107,159
<b>Net deferred outflows (inflows)</b>		<b>\$ 158,755</b>	<b>\$ 26,400</b>	<b>\$ (110,122)</b>	<b>\$ 75,033</b>
<b>Net pension liability (asset)</b>	N/A	<b>\$ 178,606</b>	<b>\$ -</b>	<b>\$ (99,776)</b>	<b>\$ 78,830</b>
<b><u>County &amp; Municipal Police &amp; Firefighters'</u></b>					
Deferred outflows (inflows) of resources:					
Difference between expected and actual experience	10-11 years	\$ 94,104	\$ (380)	\$ (9,878)	\$ 83,846
Changes of assumptions	10 years	30,206	-	(3,302)	26,904
Net difference between projected and actual earnings on pension plan investments	5 years	2,177	(91,763)	2,148	(87,438)
Change in proportion	10-11 years	(5,383)	1,854	740	(2,789)
Year ending contribution	N/A	93,593	103,787	(93,593)	103,787
<b>Net deferred outflows (inflows)</b>		<b>\$ 214,697</b>	<b>\$ 13,498</b>	<b>\$ (103,885)</b>	<b>\$ 124,310</b>
<b>Net pension liability (asset)</b>	N/A	<b>\$ 226,295</b>	<b>\$ -</b>	<b>\$ (102,966)</b>	<b>\$ 123,329</b>

*The amounts above represent the Town's proportional percentage*

The \$210,946 of deferred outflows of resources resulting from the Town's contributions to the plans subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2022.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### E. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (income) expense as follows:

Years ending June 30:	County & Municipal Other Employees'	County & Municipal Police & Firefighters'	Total
2022	\$ (21,516)	\$ (25,740)	\$ (47,256)
2023	(9,116)	(8,740)	(17,856)
2024	5,572	9,260	14,832
2025	(3,428)	(3,741)	(7,169)
2026	(2,847)	15,020	12,173
Thereafter	(791)	34,464	33,673
	<u>\$ (32,126)</u>	<u>\$ 20,523</u>	<u>\$ (11,603)</u>

*The amounts above represent the Town's proportional percentage*

#### F. Pension Expense

The components of pension expense are as follows:

	County & Municipal Other Employees'	County & Municipal Police & Firefighters'	Total
Service costs	\$ 159,972	\$ 163,204	\$ 323,176
Interest on total pension liability	171,148	245,546	416,694
Member contributions	(47,706)	(52,467)	(100,173)
Administrative expense	4,010	1,252	5,262
Changes in benefit terms	149	-	149
Projected earnings on plan investments	(156,001)	(225,669)	(381,670)
Recognition of deferred outflows and inflows of resources:			
Difference between projected and actual earnings on plan investments	342	2,148	2,490
Difference between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	1,803	(9,878)	(8,075)
Change in assumptions with regards to factors or other inputs in the measurement of total pension liability	(12,968)	(3,302)	(16,270)
<b>Total pension expense</b>	<u>\$ 120,749</u>	<u>\$ 120,834</u>	<u>\$ 241,583</u>

*The amounts above represent the Town's proportional percentage*

## NOTES TO FINANCIAL STATEMENTS

### **Note 9. Pension and Retirement Plans (continued)**

For the year ended March 31, 2021, the Town's payroll for all employees was \$3,937,189. As of the plans measurement date, June 30, 2020, total covered payroll was \$2,551,190. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plans.

### **Note 10. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's risk financing techniques include the purchase of commercial insurance.

The Town is fully insured for workers' compensation, employee health, and accident insurance through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing acts of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

### **Note 11. Commitments, Contingencies, and Subsequent Events**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchases of goods and services. The Town does not anticipate losses as a result of these transactions.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

The Town is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in the aggregate, have a material adverse effect on the financial position of the Town.

### **Note 12. COVID-19 Pandemic**

The COVID-19 pandemic significantly affected the Town's operations in fiscal year 2021. While the Town expects the summer season revenues for fiscal year 2022 to return to normal, the Town continues to incur direct costs related to fighting the pandemic.

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Correction of an Error

During the year ended March 31, 2021, it was determined that the net OPEB liability previously reported on the General Fund and Water Fund should be fully allocated to the General Fund. Therefore, an adjustment was made to reflect the appropriate allocation.

	General Fund	Water Fund	Governmental Activities	Business-type Activities
	Fund Balance	Net Position	Net Position	Net Position
March 31, 2020, as previously reported	\$ 6,786,781	\$ 7,771,279	\$ 22,856,520	\$ 9,613,020
Designated cash for retirees	262,274	(262,274)	262,274	(262,274)
OPEB Liability	-	145,436	(145,436)	145,436
<hr/>				
March 31, 2020, as restated	\$ 7,049,055	\$ 7,654,441	\$ 22,973,358	\$ 9,496,182

REQUIRED SUPPLEMENTARY INFORMATION



**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**Year Ended March 31, 2021**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 2,005,000	\$ 2,005,000	\$ 1,991,934	\$ (13,066)
Rental real estate	1,700,000	1,700,000	1,551,645	(148,355)
Transfer	650,000	650,000	1,631,416	981,416
Parking revenues	2,516,000	2,516,000	1,835,376	(680,624)
Licenses, permits, and fees	823,000	823,000	897,781	74,781
Police and Alderman fines and revenue	65,000	65,000	29,972	(35,028)
Interest	140,000	140,000	60,370	(79,630)
Contributions	32,000	32,000	607	(31,393)
Miscellaneous	14,000	14,000	8,178	(5,822)
Total revenues	<u>7,945,000</u>	<u>7,945,000</u>	<u>8,007,279</u>	<u>62,279</u>
<b>EXPENDITURES:</b>				
General and administration	1,158,000	1,158,000	1,068,894	89,106
Licenses and inspections	262,000	262,000	249,665	12,335
Public safety:				
Police	1,932,000	1,932,000	1,850,387	81,613
Alderman	40,000	40,000	38,083	1,917
Parking	637,000	637,000	552,156	84,844
Beach patrol	672,000	672,000	658,382	13,618
Public works:				
Stormwater management	203,000	203,000	117,299	85,701
Streets and parks	1,161,000	1,161,000	1,037,958	123,042
Beach and boardwalk	393,000	393,000	284,122	108,878
Recreation - entertainment	307,000	307,000	117,972	189,028
Cultural, historical, and parade	60,000	60,000	6,791	53,209
Total expenditures	<u>6,825,000</u>	<u>6,825,000</u>	<u>5,981,709</u>	<u>843,291</u>
Excess of revenues over expenditures	<u>1,120,000</u>	<u>1,120,000</u>	<u>2,025,570</u>	<u>905,570</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(937,000)	(1,457,000)	(948,536)	508,464
Fund balance (reserves) appropriated	(183,000)	337,000	-	(337,000)
Total other financing uses	<u>(1,120,000)</u>	<u>(1,120,000)</u>	<u>(948,536)</u>	<u>171,464</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,077,034</u>	<u>\$ 1,077,034</u>
Fund balance, beginning of year, as restated			<u>7,049,055</u>	
Fund balance, end of year			<u>\$ 8,126,089</u>	

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**  
**Year Ended March 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>REVENUES:</b>				
Intergovernmental revenues:				
State and County	\$ 268,429	\$ 1,088,088	\$ 329,934	\$ (758,154)
Interest income	-	12	12	-
<b>Total revenues</b>	<b>268,429</b>	<b>1,088,100</b>	<b>329,946</b>	<b>(758,154)</b>
<b>EXPENDITURES:</b>				
Public safety:				
Police	143,429	329,946	329,946	-
Public works:				
Streets and parks	125,000	123,320	-	123,320
<b>Total expenditures</b>	<b>268,429</b>	<b>453,266</b>	<b>329,946</b>	<b>123,320</b>
<b>Excess of revenues over expenditures</b>	<b>-</b>	<b>634,834</b>	<b>-</b>	<b>(634,834)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance reserves	-	(634,834)	-	634,834
<b>Total other financing uses</b>	<b>-</b>	<b>(634,834)</b>	<b>-</b>	<b>634,834</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**March 31, 2021**

**Note 1. Budgetary Basis**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE CHANGES IN THE TOTAL OPEB LIABILITY**  
**Last ten fiscal years**  
**March 31, 2021**

Measurement date	March 31, 2019	March 31, 2020	March 31, 2021
Balances - beginning of year	\$ 273,684	\$ 245,367	\$ 242,392
Service cost	4,991	2,078	60,147
Interest on total OPEB liability	5,479	4,905	5,543
Effect of plan changes	-	-	2,852,616
Effect of economic/demographic gains/losses	(29,287)	(5,552)	-
Effect of assumption changes or inputs	-	-	361,574
Benefit payments	(9,500)	(4,406)	(32,798)
Employer contributions	-	-	-
Employee contributions	-	-	-
Net investment income	-	-	-
Administrative expense	-	-	-
<b>Balances - end of year</b>	<b>\$ 245,367</b>	<b>\$ 242,392</b>	<b>\$3,489,474</b>

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

**TOWN OF BETHANY BEACH, DELAWARE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOTAL OPEB LIABILITY AS A  
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL**

**Last ten fiscal years**

**March 31, 2021**

<b>Measurement date</b>	<b>March 31, 2019</b>	<b>March 31, 2020</b>	<b>March 31, 2021</b>
Total OPEB liability (a)	\$ 245,367	\$ 242,392	\$3,489,474
Covered-employee payroll (b)	64,251	64,590	1,790,110
% of covered-employee payroll (a/b)	382%	375%	195%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN**  
**March 31, 2021**

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

As of March 31, 2021, the Town has designated \$313,492 in cash to pay for these future benefits which is included in cash and cash equivalents on the statement of net position.

The following factors affect trends in the amounts reported:

**March 31, 2019**

Discount rate - 2.00%

**March 31, 2020**

Discount rate - 2.94%

**March 31, 2021**

Discount rate - 1.74%

The Discount Rate was changed to comply with the GASB 75 Standard. (Started in 2020)

The 2020 Plan became effective on August 25, 2020. As a result, the Net OPEB Liability as of March 31, 2020 only reflects the liability associated with the 1991 Plan.

The institution of the 2020 Plan is considered a Change of Benefit Terms. Per GASB 75, Changes of Benefit Terms should be immediately recognized in the OPEB Expense.

**TOWN OF BETHANY BEACH, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)  
Year Ended March 31, 2021**

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
<b>MUNI PLAN</b>							
June 30, 2015	5.2189%	\$ 2,227	\$ 1,547,091	0%	\$ 37,840,000	\$ 37,883,000	100%
June 30, 2016	4.8223%	298,781	1,611,214	19%	39,292,000	45,488,000	86%
June 30, 2017	4.4402%	287,692	1,651,341	17%	45,874,000	52,353,000	88%
June 30, 2018	4.1964%	132,058	1,672,517	8%	53,122,000	56,269,000	94%
June 30, 2019	3.8989%	178,606	1,724,816	10%	58,536,000	63,117,000	93%
June 30, 2020	3.7125%	78,830	1,819,488	4%	67,470,000	69,594,000	97%
<b>POLICE PLAN</b>							
June 30, 2015	0.8631%	\$ (45,490)	\$ 612,807	-7%	\$ 273,109,000	\$ 267,839,000	102%
June 30, 2016	0.8349%	132,715	608,271	22%	284,298,000	300,194,000	95%
June 30, 2017	0.7658%	77,207	629,242	12%	325,867,000	335,948,000	97%
June 30, 2018	0.8109%	186,761	673,468	28%	367,470,000	390,500,000	94%
June 30, 2019	0.7879%	226,295	696,466	32%	396,829,000	425,552,000	93%
June 30, 2020	0.8025%	123,329	731,702	17%	446,384,000	461,752,000	97%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

**TOWN OF BETHANY BEACH, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS - PENSION PLAN (as of fiscal year end)**  
**Year Ended March 31, 2021**

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
<b>MUNI PLAN</b>					
2016	\$ 100,252	\$ 100,252	\$ -	\$ 1,547,091	6%
2017	100,180	100,180	-	1,611,214	6%
2018	111,630	111,630	-	1,651,341	7%
2019	118,582	118,582	-	1,672,517	7%
2020	126,254	126,254	-	1,724,816	7%
2021	132,459	132,459	-	1,819,488	7%
<b>POLICE PLAN</b>					
2016	\$ 86,896	\$ 86,896	\$ -	\$ 612,807	14%
2017	84,246	84,246	-	608,271	14%
2018	86,646	86,646	-	629,242	14%
2019	76,910	76,910	-	673,468	11%
2020	116,170	116,170	-	696,466	17%
2021	123,219	123,219	-	731,702	17%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.



**TOWN OF BETHANY BEACH, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ACTUARIAL ASSUMPTIONS - PENSION PLAN**  
**Year Ended March 31, 2021**

<b>Plan</b>	<b>County &amp; Municipal Other Employees'</b>	<b>County &amp; Municipal Police &amp; Firefighters'</b>
Actuarial assumptions:		
Investment rate of return / discount rate (1)	7.0%	7.0%
Projected salary increases (1)	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments	0.00%	0.00%

(1) Inflation is included at 2.5%

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

ADDITIONAL SUPPLEMENTARY INFORMATION

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND**  
**Year Ended March 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
<b>EXPENDITURES:</b>				
General and administration	\$ 155,000	\$ 155,000	\$ 154,250	\$ 750
Public safety:				
Police	10,000	10,000	7,611	2,389
Public works:				
Streets and parks	622,000	1,086,000	672,982	413,018
Beach, boardwalk and comfort station	150,000	171,000	85,218	85,782
Stormwater management	-	35,000	28,475	6,525
<b>Total expenditures</b>	<b>937,000</b>	<b>1,457,000</b>	<b>948,536</b>	<b>508,464</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	937,000	1,457,000	948,536	(508,464)
<b>Total other financing sources</b>	<b>937,000</b>	<b>1,457,000</b>	<b>948,536</b>	<b>(508,464)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**WATER FUND**  
**Year Ended March 31, 2021**

**WATER SERVICE:**

Operating revenues:	
Charges for services	\$ 1,435,128
Other service fees	31,298
Miscellaneous	685
Total operating revenues	1,467,111
Operating expenses:	
Salaries and wages	451,210
Payroll taxes	33,682
Employee benefits	134,156
Contract services	75,427
Insurance	82,192
Telephone	9,911
Utilities	46,782
Repairs and maintenance	12,654
Sewer service charge	1,072
Plant maintenance	68,883
Distribution system maintenance	35,781
Office supplies	4,550
Miscellaneous	30,581
Supplies	44,062
Chemicals	105,320
Uniforms	1,404
Depreciation	329,012
Total operating expenses	1,466,679
Net operating income	432
Non-operating revenues (expenses):	
Taxes and assessments	246,119
Impact fees	108,883
Interest income	21,538
Interest expense	(14,665)
Loss on disposal of capital assets	(54,987)
Net non-operating revenues	306,888
Change in net position	\$ 307,320

**TOWN OF BETHANY BEACH, DELAWARE**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**  
**INCOME AND EXPENSE DETAIL**  
**SANITATION FUND**  
**Year Ended March 31, 2021**

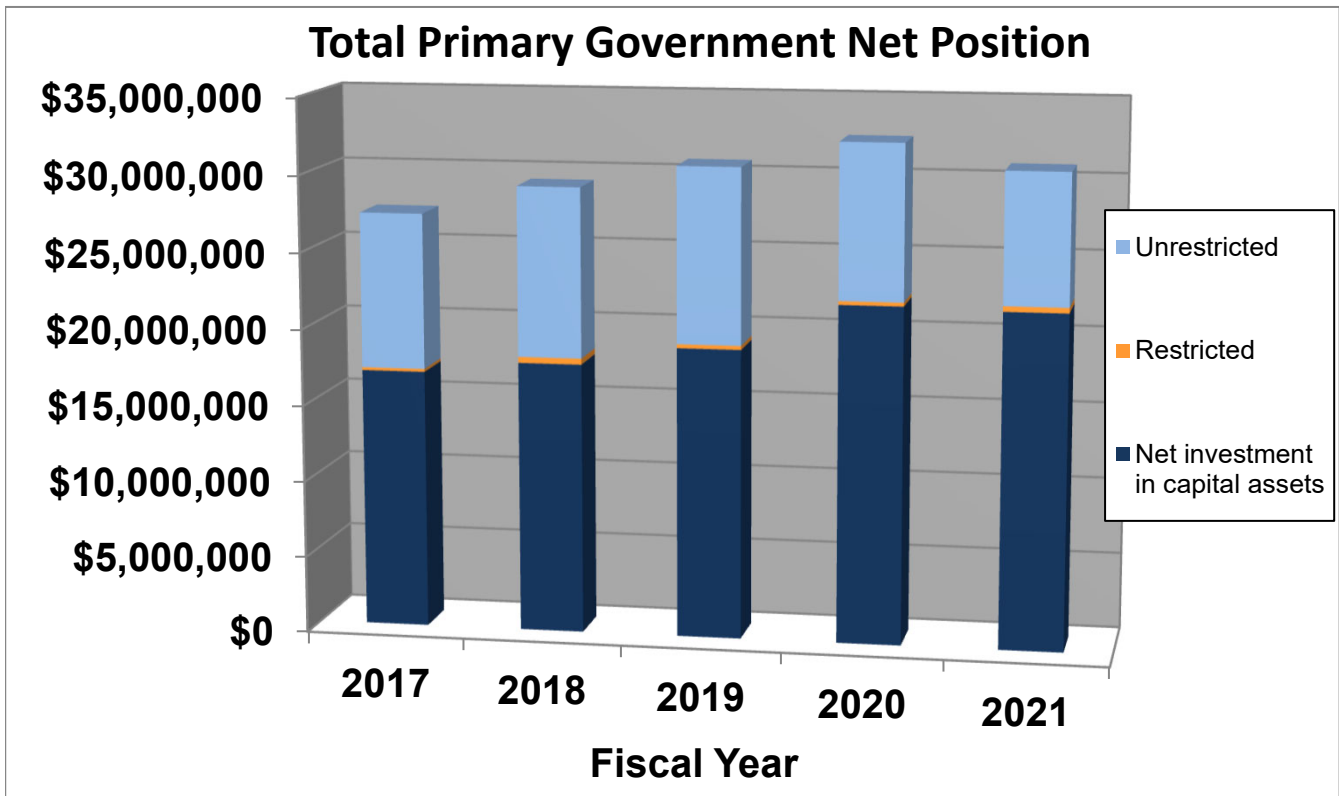
**SANITATION SERVICE:**

Operating revenues:	
Charges for services	\$ 964,175
Total operating revenues	964,175
Operating expenses:	
Salaries and wages	342,158
Payroll taxes	24,740
Employee benefits	134,628
Disposal fees	178,362
Fuel	20,685
Insurance	49,009
Telephone	978
Utilities	6,548
Repairs and maintenance	83,713
Office supplies	9,532
Miscellaneous	21,188
Depreciation	142,644
Total operating expenses	1,014,185
Net operating loss	(50,010)
Non-operating revenues:	
Interest income	12,920
Net non-operating revenues	12,920
<b>Change in net position</b>	<b>\$ (37,090)</b>

STATISTICAL SECTION

**Town of Bethany Beach, Delaware**  
**Net Position by Component**  
**Last Five Years**  
 (accrual basis of accounting)  
**Schedule 1**

Years ended March 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 11,155,113	\$ 12,112,795	\$ 13,327,307	\$ 16,448,470	\$ 16,374,516
Restricted	173,588	259,873	121,579	112,908	264,368
Unrestricted	7,504,369	7,940,038	7,932,773	6,295,142	4,443,834
<b>Total governmental activities net position</b>	<b>\$ 18,833,070</b>	<b>\$ 20,312,706</b>	<b>\$ 21,381,659</b>	<b>\$ 22,856,520</b>	<b>\$ 21,082,718</b>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 5,776,443	\$ 5,602,729	\$ 5,655,826	\$ 5,624,055	\$ 5,537,713
Restricted	19,668	135,946	139,846	136,817	95,233
Unrestricted	2,662,927	3,170,415	3,554,824	3,852,148	4,133,466
<b>Total business-type activities net position</b>	<b>\$ 8,459,038</b>	<b>\$ 8,909,090</b>	<b>\$ 9,350,496</b>	<b>\$ 9,613,020</b>	<b>\$ 9,766,412</b>
<b>Summary</b>					
Net investment in capital assets	\$ 16,931,556	\$ 17,715,524	\$ 18,983,133	\$ 22,072,525	\$ 21,912,229
Restricted	193,256	395,819	261,425	249,725	359,601
Unrestricted	10,167,296	11,110,453	11,487,597	10,147,290	8,577,300
<b>Total primary government net position</b>	<b>\$ 27,292,108</b>	<b>\$ 29,221,796</b>	<b>\$ 30,732,155</b>	<b>\$ 32,469,540</b>	<b>\$ 30,849,130</b>



**Town of Bethany Beach, Delaware**  
**Revenues, Expenditures, Change in Fund Balance, Governmental Funds**  
**Last Five Years**  
(modified accrual basis of accounting)  
**Schedule 2**

Years ended March 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Revenues</b>					
Property taxes	\$ 1,897,538	\$ 1,901,125	\$ 1,913,708	\$ 1,982,984	\$ 1,991,934
Rental real estate taxes	1,348,255	1,612,598	1,625,632	1,702,048	1,551,645
Transfer taxes	1,143,222	1,141,827	869,252	1,280,103	1,631,416
Parking revenues	1,996,769	2,016,975	2,081,297	2,220,007	1,835,376
Licenses, permits, and fees	857,441	1,009,827	906,414	1,102,281	897,781
Police and Alderman fines	96,678	82,231	65,662	59,395	29,972
Interest	63,979	91,865	150,192	177,086	60,445
Service receipts - ambulance	149,168	149,057	148,621	148,338	149,132
Intergovernmental revenues	229,007	104,319	350,123	282,671	329,934
Contributions	35,472	27,567	32,368	18,274	607
Miscellaneous	17,674	19,031	23,107	42,215	8,178
<b>Total revenues</b>	<b>7,835,203</b>	<b>8,156,422</b>	<b>8,166,376</b>	<b>9,015,402</b>	<b>8,486,420</b>
<b>Expenditures</b>					
General and administration	1,081,846	1,050,092	1,019,329	1,030,809	1,068,894
Licenses and inspections	263,106	259,906	300,648	295,036	249,665
Police	1,582,304	1,651,418	1,702,303	1,869,572	2,150,333
Alderman	52,707	51,163	45,234	34,972	38,083
Parking	535,451	566,254	577,764	555,939	552,156
Beach patrol	486,587	528,643	518,120	631,592	658,382
Ambulance	149,195	149,195	149,195	149,195	149,195
Stormwater management	126,363	78,412	108,290	145,712	117,299
Streets and parks	829,826	856,106	1,014,385	1,098,357	1,037,958
Beach and boardwalk	316,176	283,586	358,828	393,975	284,122
Recreation - entertainment	237,395	246,579	252,204	273,248	117,972
Cultural, historical, and parade	26,303	30,009	53,164	28,210	6,791
Debt service - principal	214,116	224,822	236,062	-	-
Debt service - interest	27,450	16,544	4,904	-	-
Capital outlay	724,855	1,625,029	1,856,752	4,085,204	978,536
<b>Total expenditures</b>	<b>6,653,680</b>	<b>7,617,758</b>	<b>8,197,182</b>	<b>10,591,821</b>	<b>7,409,386</b>
<b>Net change in fund balance</b>	<b>\$ 1,181,523</b>	<b>\$ 538,664</b>	<b>\$ (30,806)</b>	<b>\$ (1,576,419)</b>	<b>\$ 1,077,034</b>
Debt service as a percentage of non-capital expenditures	4%	4%	4%	0%	0%



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Town of Bethany Beach, Delaware  
Bethany Beach, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 23, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
July 23, 2021